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in an uncertain world

Budget 2001

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Overview

December 10, 2001

Canada

Budget 2001

"This budget...is about resolving to work together as never before, renewed in purpose, confident of our course and guided through changing times by unchanging values."

Finance Minister Paul Martin
2001 budget speech

Introduction

Canadians today face a period of significant economic uncertainty.

For the first time in 25 years, we find ourselves in the midst of a global economic slowdown, which has been made worse by the September 11 terrorist attacks on the U.S.

Budget 2001 builds on the Government's long-term plan for a stronger economy and a more secure society.

But it also responds to immediate economic and security concerns.

It does this in four ways:

- First, it provides a timely boost to the economy at a time of global weakness and uncertainty and positions Canadians to take full advantage of the recovery expected next year.
- Second, it acts to build personal and economic security by keeping Canadians safe, terrorists out and our borders open and efficient.
- Third, it keeps the nation's finances healthy by balancing the budget this year and for the next two years.
- Fourth, it fully protects the \$100-billion tax cut and the \$23.4 billion in increased support for health care and early childhood development.

Economic and Fiscal Prospects

Canada has undergone a remarkable economic and fiscal turnaround in the past eight years. But the unforeseen circumstances of both the global economic slowdown and the terrorist attacks of September 11 have created exceptional fiscal pressures.

Based on the average of private sector economic forecasts:

- Canada's economy is predicted to grow by 1.3 per cent in 2001 and 1.1 per cent in 2002;
- an economic recovery is expected in the second half of 2002, reflecting the impact of lower interest rates and taxes, as well as the anticipated recovery in the U.S.; and
- economic growth is expected to rebound to 3.9 per cent in 2003.

Economic Stimulus

The targeted spending in this budget or coming on stream this year, coupled with the tax cuts now flowing through the economy, are providing \$26 billion in economic stimulus – or 2.4 per cent of GDP – during a period of economic weakness. This is in addition to the significant monetary stimulus resulting from the 3.5-percentage-point decline in short-term interest rates this year to their lowest level in 40 years.



Commitment to Balanced Budgets

The Government's strategy of sound fiscal management will help Canadians deal with the current economic uncertainty.

- Despite the impact of the economic slowdown, the Government is forecasting a balanced budget for this year and balanced budgets or better in 2002-03 and 2003-04.
- For the first time in 17 years, Canada's net debt-to-GDP (gross domestic product) ratio will fall to below 50 per cent next year; and
- 75 per cent of the increase in program spending in 2001-02 is for health care, security, employment insurance and elderly benefits.

Enhancing Security for Canadians

The September 11 terrorist attacks on the United States have forced Canadians to confront a new kind of threat at home.

In response, Budget 2001 introduces a comprehensive plan to enhance personal and economic security.

In total, the budget provides \$7.7 billion over the next five years to enhance security for Canadians. This includes:

- \$6.5 billion for security, including air security and Canada's military; plus
- more than \$1.2 billion for initiatives designed to make Canada's border more secure, open and efficient.

Budget 2001 – Security Funding (over five years)

	(\$ billions)
Intelligence and Policing	1.6
Screening Entrants to Canada	1.0
Emergency Preparedness and Support for the Military	1.6
A New Approach to Air Security	2.2
Subtotal	6.5
A Secure, Open and Efficient Border	1.2
Total	7.7

Note: Totals may not add up due to rounding

Security Measures

Protecting citizens, their property and their way of life from external threats is a fundamental role of government. This budget's approach to security is based on:

- increased intelligence and policing;
- enhanced screening of arrivals to Canada; and
- better emergency preparedness and support for the military.

Security funding in Budget 2001 includes \$1.2 billion over the next five years for the Department of National Defence and its agencies.



A New Approach to Air Security

Budget 2001 is allocating \$2.2 billion over the next five years to make air travel more secure in accordance with rigorous new national Transport Canada standards.

To ensure that these standards are met, the Government will create a new air security authority. New air security measures will include:

- armed undercover police officers on Canadian aircraft;
- better-trained personnel to screen passengers and carry-on baggage;
- enhanced policing in airports;
- replacement of aircraft cockpit doors to make them more secure; and
- new state-of-the-art explosives detection systems at Canada's airports.

These measures will be funded by a new Air Travellers Security Charge to be paid by air travellers starting April 1, 2002. The total cost of the charge will be \$12 each way for travel in Canada.

A Secure, Open and Efficient Border

The Government's security agenda involves much more than physical security for Canadians. A key element is rebuilding confidence through greater economic security.

Every day, close to \$2 billion worth of goods and services crosses the Canada-U.S. border. Given the magnitude of this two-way trade, maintaining an open border is critical to both countries.

Budget 2001 invests more than \$1.2 billion in measures designed to make the border more secure, open and efficient. These include:

- new technology to help Customs officers facilitate border crossings for goods and travellers;
- new Canadian multi-agency Integrated Border Enforcement Teams to co-ordinate intelligence and enforcement efforts along the Canada-U.S. border; and
- a new \$600-million program to improve infrastructure that supports major border crossings, such as highways and commercial vehicle processing centres. Under this program, Canada will seek partnerships with the provinces, municipalities and the private sector.

Strategic Investments

The Government's overarching goals are to build a strong economy and secure society, and to improve the quality of life for Canadians. The strategic investments in this budget help achieve those objectives by dealing with the needs of today. At the same time, they serve as a bridge to a better tomorrow.

These investments are based on two criteria:

- they must be consistent with advancing the Government's long-term plan to build a strong economy and secure society, and to improve the quality of life for Canadians; and
- they must fit within the prudent fiscal framework and, where possible, provide stimulus during the period of economic weakness and position Canada to take advantage of the economic recovery.

By investing in strategic infrastructure, skills and learning, research, health, Aboriginal children, the environment and international assistance, the 2001 budget advances the Government's long-term vision while providing important support now for the economy.

Health Initiatives

■ Budget 2001 confirms that the \$23.4 billion in funding to support health care and early childhood development agreements reached by first ministers in September 2000 is fully protected.

■ It provides \$95 million to the Canadian Institute for Health Information, and increases annual funding by \$75 million for the Canadian Institutes of Health Research.

Skills, Learning and Research

Budget 2001 invests more than \$1.1 billion over three years to support skills, learning and research.

It supports skills and learning by:

- improving support for people with disabilities who pursue higher education;
- helping apprentices and young entrepreneurs; and
- further encouraging Canadians receiving training assistance from government to pursue educational opportunities.

It supports Canadian research by:

- helping offset indirect research costs at universities and research hospitals;

- supporting leading-edge technologies and expanding regional innovation initiatives across the country through increased funding to the National Research Council of Canada;
- providing additional funding to the Natural Sciences and Engineering Research Council and the Social Sciences and Humanities Research Council; and
- extending funding for Internet initiatives in schools and community access centres.

Strategic Infrastructure and the Environment

Infrastructure will both stimulate job creation and confidence in the short term and make the economy more productive and competitive in the long term. The budget announces targeted investments of nearly \$3 billion that allow the Government to:

- create the Strategic Infrastructure Foundation, with a minimum federal commitment of \$2 billion;
- confirm \$680 million in funding for affordable rental housing;
- double funding to the Green Municipal Enabling Fund and Green Municipal Investment Fund; and
- enhance incentives for renewable energy and energy efficiency projects.

This complements the \$2-billion program now coming on stream that was announced in Budget 2000 and the \$600 million for highways, also from Budget 2000, as well as the border infrastructure program announced in this budget.

Aboriginal Children

To improve the well-being of Aboriginal children, Budget 2001 will provide \$185 million over the next two years to:

- enhance programs such as child care and Head Start, which support early childhood development;

- intensify efforts to reduce the incidence of fetal alcohol syndrome; and
- provide increased funding to support children on reserves who have special needs at school.

Furthering International Assistance

Because Canada recognizes the importance of helping those most in need beyond its borders, the budget increases international assistance by \$1 billion over three years. Among other things, Budget 2001 will:

- commit \$500 million to a fund promoting sustainable development in Africa;
- provide humanitarian emergency assistance in Afghanistan; and
- provide other international assistance.

How Can I Get More Information on Budget 2001?

Information is available on the Internet at www.fin.gc.ca.

You can also obtain copies of this brochure and other budget documents from the:

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